SGGF

MANAGEMENT CORPORATION

Saskatchewan Government Growth Fund ▼ Ltd

2004 ANNUAL REPORT

Creating economic
wealth and diversification
through investment
of immigrant investor
capital in Saskatchewan

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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FUND PROFILE

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- The Fund reported income of $65,000 in 2004. The Fund has an accumulated deficit at December 31, 2004 of $1.2 million.
- Net revenue for the year, including loss realized on disposal of investments and recognition of the fair value of investments, was $1.4 million.
- The principal repayment at maturity of Notes was set in 2003 at $190,000. Effective March 2005, the payment will be increased to $215,000. An additional payment will be made in March 2005 to investors who had been paid a lower amount when their Notes matured. Additional payments will be made as cash becomes available from the liquidation of investments.

105-04342/

MESSAGE TO INVESTORS

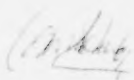
The priority of Saskatchewan Government Growth Fund V (1997) Ltd. in 2004 was the management of investments with the objectives of supporting investees in the development of their businesses, maximizing returns to the Fund, and generating sufficient cash to satisfy payments due on Notes at maturity.

Effective January 1, 2004, the Fund adopted new accounting standards which require that investments be recorded at their fair value as at the date of the financial statements. The periodic change in fair value is reflected in the Statement of Operations.

The Fund recorded net income of $65,000 in 2004, compared to a loss of $1.2 million in 2003. The fair value of investments recognized as a result of the adoption of the new accounting standard totalled $972,000, and was partially offset by a net loss recognized on the disposal of an investment. The loss on disposal reflects the relatively higher risk associated with SME investments. In addition, the low interest rate environment has had a negative effect on returns available from portfolio investments and infrastructure loans. As a result of these factors, the accumulated deficit of the Fund is $1.2 million at December 31, 2004. Given the accumulated deficit, it is unlikely that SGGF V will be able to repay the full principal amount of the Note obligations to investors.

Prior to the maturity of Notes, the Fund prepares cash flow projections to estimate whether timing differences exist between planned liquidations of investments and scheduled payments to Noteholders. This ensures that all Noteholders are treated equally. In 2003, SGGF V determined that the investment losses referred to above, and timing differences which arise primarily because of the absence of an active market for investments in SMEs, required that the payment to Noteholders on maturity of their Notes be set at $190,000. The cash flow projections are reviewed periodically and payments adjusted accordingly. The Board has now concluded that the payment can be increased to $215,000 effective in March 2005, and investors who previously received $190,000 at maturity will receive an additional payment of $25,000 at the end of March. Additional payments will be made as cash becomes available from the liquidation of investments.

In 2005, SGGF V will continue to focus on maximizing the returns from its investments. The Fund will explore opportunities to improve returns over the period leading up to the maturity of investor Notes, while at the same time taking a cautious approach to credit risk.



Roland Hardy
Chair

Alan M. Rowe
President

February 23, 2005

The following are profiles of investments held by SGGF V during 2004, including the principal amount invested at December 31, 2004 and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

Flatland Exploration Ltd. (May 2001)
$475,000 loans

Flatland Exploration is a Regina-based company involved in the exploration, development and production of oil and natural gas. In 2002, the company was sold to Bulldog Energy Inc.

Master Manufacturing Inc. (June 1999)
$1,605,066 loans

Master Manufacturing, located in Moose Jaw, Saskatchewan, manufactured a broad range of pre-engineered all-steel buildings and building components. In 2003, the Company defaulted on its loan and a trustee in bankruptcy was appointed. The trustee is in the process of disposing of the company's assets.

Parkland Strawboard (1998) Inc. (June 2001)

Parkland Strawboard manufactured strawboard by a process of compressing wheat straw with a resin to create high-quality, moisture-resistant board used in both the furniture and construction industries. The company is located in Kamsack, Saskatchewan. In December 2002, the company discontinued production. In 2003, the company defaulted on its loan and a trustee in bankruptcy was appointed. No further recovery is expected on this investment.

CAJON Leasing (December 2001)
$5,203,240 loans

CAJON, located in Regina, leases vehicles and other assets to Saskatchewan Crown corporations and other government-related entities.

R & R Leasing (July 2000)
$3,964,910 loans

R&R is based in Saskatoon and leases buildings, equipment and vehicles to Saskatchewan Crown Corporations, other government-related entities and private enterprises.

Background

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1998 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of the Fund is to invest at least 70% of the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

SGGF V's activities are financed by immigrant investors who have subscribed for unsecured, subordinated promissory notes ("Notes") offered through an Offering Memorandum. The interest rate for a Note is determined at the time the full subscription is received, and remains constant over the term of the Note. Obligations under the Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Notes mature five years from the date of issue. The IIP requires that the maturity date of a Note be extended if, and for so long as, less than 70% of the amount of the Note is invested in the active business operations of eligible businesses in Saskatchewan.

The Fund was closed to new subscription applications on December 31, 1998. In 2003, the Fund required subscribers to fully pay any outstanding subscription amounts, and subscribers who did not do so forfeited their right to participate in the Fund.

At December 31, 2004, obligations to investors totalled $24.33 million, comprised of 93 Notes (2003 - $27.75 million; 111 Notes) which have not yet matured, and 18 Notes (2003 – nil) on which $190,000 has been paid to each investor at the maturity date. Based on information available to the Fund, it is estimated that holders of five Notes have not yet received their visas and therefore retain their right of rescission. Obligations to investors mature over the period from 2005 to 2008.

The Fund has prepared cash flow projections which indicate that timing differences may exist between planned liquidations of investment and scheduled investor repayments as Notes become due. In order to treat all investors equally, the payments on Notes at maturity have been set at $190,000. The payment of any amount in addition to the initial payment at maturity is dependent on the liquidation of investments, many of which are in private companies as required by the IIP. These investments typically have more risk than other types of investments. Any forecast of when such investments will be liquidated reflects a best judgment based on current information, and involves a number of risks and uncertainties and other factors that may cause actual results to differ materially from the forecast. If the assumptions underlying current forecasts prove to be correct, payment of additional amounts may be possible in 2005; however, based on current forecasts, it is unlikely that the Fund will be able to repay the full principal amount of the Note obligations to investors. The Fund continues to actively manage its remaining investments with a view to achieving for investors the best liquidation proceeds available in the prevailing circumstances.

Total interest expense on obligations to investors and subscription deposits in 2004 was $417,000 (2003 - $461,000).

Investments

The investment policy of the Fund reflects the requirements imposed by both the IIP and the Offering Memorandum. To meet these requirements, the Fund has established a target initial investment allocation consisting of:

- a maximum of 30% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan;
- 50% invested in loans to support infrastructure projects of the Province of Saskatchewan, and its agencies, municipalities and similar institutions; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as "eligible businesses" for purposes of the IIP.

The following table sets out the investments of the Fund by type at December 31 in each year:

	2004			2003		
	No.	$ millions	%	No.	$ millions	%
Other investments						
Small and medium-sized enterprises						
Debt investments	2	2.1	8.8	3	3.5	12.5
Equity investments	-	-	-	-	-	-
Total	2	2.1	8.8	3	3.5	12.5
Infrastructure loans	5	9.2	38.5	5	12.0	43.5
		11.3	47.3		15.5	56.0
Cash and publicly-traded and short-term investments		12.5	52.7		12.2	44.0
		23.8	100.0		27.7	100.0
Adjustment to fair value		(0.9)				
Provision for credit losses					(1.8)	
Carrying value		22.9			25.9	
Fair value		22.9			26.5	

Notes: 1. At January 1, 2004, the Fund changed its accounting policies so that investments are carried at fair value. The method of determining fair value at each financial statement date is described in Note 1 to the Financial Statements. Prior to January 1, 2004, debt investments were carried at cost with appropriate provisions for credit losses and equity investments were carried at the lower of cost and net realizable value.

2. The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Investment and other income in 2004 totalled $1.1 million, compared with $1.2 million in 2003. Recognition of the fair value of investments during the year, partially offset by losses realized on the disposal investments, totalled $276,000. In 2003, provision for losses, net of gains realized on disposal, totalled $1.2 million. Net revenue in 2004 was $1.4 million, compared with $19,000 in 2003.

Management

The Fund is managed by the Saskatchewan Government Growth Fund Management Corporation ("SGGF MC") under a contract which provides for a management fee not to exceed 3.0% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan, and has retained subadvisors to provide investment advisory services. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of the Fund after all investor obligations are repaid in full and all investments have been liquidated. The subadvisors are paid a performance fee based on the performance of the investments managed by each of them.

Administration expense for the Fund totalled $468,000 in 2004, compared with $333,000 in 2003. Administration expense, excluding adjustments to accruals for future performance-based fees, represented 1.9% (2003 – 2.0%) of weighted average total assets.

Results of operations

During 2004, the Fund reported net income of $65,000, compared with a loss of $1.2 million in 2003. The loss in 2003 was caused by a provision for loss on a SME investment, and returns on portfolio investments and infrastructure loans which are less than the costs of administration and financing. Investment income on weighted average total assets, before the recognition of fair value and losses realized on disposal, was 4.3% (2003 - 4.5%). Unrealized net gains (2003 – provisions) and net realized losses on disposal, net, were 1.1% (2003 – (4.5)%). Interest expense was 1.7% (2003 – 1.7%). All other expenses were 3.5% (2003 – 2.7%).

At December 31, 2004, the Fund had an accumulated deficit of $1.2 million compared with a deficit of $1.3 million at December 31, 2003.

Outlook and risks and uncertainties

The Fund has completed its fundraising and investing phase. The priority of the Fund is the management of its investment portfolio to maximize returns and to provide for liquidation of investments to satisfy obligations to investors at maturity of their Notes. Additional investments in SMEs and loans to support infrastructure will be made only to replace investments in eligible businesses which are required to satisfy the five-year investment requirements of the IIP, to support the operations and maximize the value of existing SME investments, or to enhance the returns of the Fund.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which can represent up to 30% of the Fund's investments, provide an opportunity for higher

returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the time that Notes mature. On the other hand, the balance of investments which consist of liquid securities and loans to finance infrastructure are relatively low risk, but also provide low returns that reflect the lower risk exposure. Since the Fund was launched in 1999, interest rates in the general economy have decreased significantly, which has created a challenge to the Fund to earn sufficient returns to pay interest on Notes and administration costs.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 11 to the financial statements. The Fund manages these risks to the extent possible; however the factors may affect the ability of the Fund to repay its Notes at maturity. The Fund has no sources of funds to finance the repayment of its Notes other than the proceeds received on liquidation of its investments.

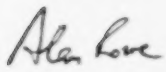
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The President and fund manager of the Saskatchewan Government Growth Fund V (1997) Ltd. are responsible for management of the Fund. The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.



Alan M. Rowe, C.A.
President

Lori K. Le Drew, C.M.A.
Controller, Crown Capital Partners Inc.

February 23, 2005

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund V (1997) Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund V (1997) Ltd. as at December 31, 2004, and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 9, 2005

Saskatchewan Government Growth Fund V (1997) Ltd.
Statement of Financial Position

December 31	2004	2003
Assets		
Cash	**$ 1,740,443**	$ 1,806,135
Accounts receivable and accrued income	**117,452**	136,560
Publicly-traded and short-term investments (Note 5)	**10,822,138**	10,373,499
Other investments (Note 6)	**10,365,839**	13,664,536
Deferred costs (Note 7)	**220,105**	687,406
	$ 23,265,977	$ 26,668,136
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 53,871**	$ 11,814
Commissions payable	**80,000**	175,000
Accrued interest payable to investors	**5,914**	-
Subscription deposits (Note 8)	**10,042**	10,042
Obligations to investors (Note 9)	**24,330,000**	27,750,000
	24,479,827	27,946,856
Share capital (Note 10)	**1,000**	1,000
Deficit	**(1,214,850)**	(1,279,720)
	(1,213,850)	(1,278,720)
	$ 23,265,977	$ 26,668,136

See accompanying notes to the financial statements.

On behalf of the Board:

Roland Hardy
Director

Lloyd Boutilier
Director

Saskatchewan Government Growth Fund V (1997) Ltd.
Statement of Operations and Deficit

Year ended December 31	2004	2003
Revenues		
Income from cash and publicly-traded and short-term investments	$ 385,078	$ 455,505
Income from other investments	696,436	786,950
	1,081,514	1,242,455
Gains realized on disposal of other investments	59,930	754,040
Losses realized on disposal of other investments	(756,164)	-
Increase in fair value of investments	972,150	
Provision for investment losses		(1,977,723)
	275,916	(1,223,683)
Net revenue	1,357,430	18,772
Expenses		
Administration (Note 12)	467,891	332,829
Interest on obligations to investors	417,368	448,699
Interest on subscription deposits	-	12,205
Amortization of deferred costs	407,301	414,370
	1,292,560	1,208,103
Income (loss) for the year	64,870	(1,189,331)
Deficit, beginning of year	(1,279,720)	(90,389)
Deficit, end of year	$(1,214,850)	$(1,279,720)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund V (1997) Ltd.
Statement of Cash Flows

Year ended December 31	2004	2003
Cash flows from operating activities		
Income (loss) for the year	**$ 64,870**	$(1,189,331)
Items not affecting cash:		
Increase in fair value of investments	**(972,150)**	
Provision for investment losses		1,977,723
Amortization of premium and discount on bonds	**36,058**	28,847
Net losses (gains) realized on sale of other investments	**696,234**	(754,040)
Amortization of deferred costs	**407,301**	414,370
Net change in non-cash balances related to operations (Note 13)	**32,079**	(370,908)
Cash flows from operating activities	**264,392**	106,661
Cash flows from investing activities		
Purchase of publicly-traded and short-term investments	**(7,644,029)**	(4,694,989)
Sale of publicly-traded and short-term investments	**7,194,989**	4,565,290
Disbursements on other investments	**(125,367)**	(4,433,649)
Repayments of other investments	**3,664,323**	4,229,049
Cash flows from investing activities	**3,089,916**	(334,299)
Cash flows from financing activities		
Repayment of obligations	**(3,420,000)**	(35,049)
Cash flows from financing activities	**(3,420,000)**	(35,049)
Net decrease in cash	**(65,692)**	(262,687)
Cash, beginning of year	**1,806,135**	2,068,822
Cash, end of year	**$ 1,740,443**	$ 1,806,135
Interest paid during the year	**$ 411,454**	$ 521,331

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements
December 31, 2004

1. Status of the Corporation

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V" or the "Fund") was incorporated in August 1997 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a note offering. Each note is a variable rate (1.50% to 3.50%), unsecured, subordinated debt instrument with a principal amount of $250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The marketing period for the Fund ended on December 31, 1998, and 2003 was the last year in which the Fund accepted the completion of subscription payments.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Statement of Operations and Deficit in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described below.

Publicly-traded and short-term investments

Publicly-traded and short-term investments are carried at fair value. Income from publicly-traded and short-term investments is recognized as earned. The change in fair value of publicly-traded and short-term investments during the year is included in the Statement of Operations and Deficit. Fair values for publicly-traded investments are determined by reference to quoted market values. Fair values for short-term investments are assumed to be equal to cost.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

Prior to January 1, 2004, publicly-traded debt investments were carried at amortized cost and publicly-traded equity investments were carried at the lower of cost and, in the case of investments where a loss in value that was other than temporary had occurred, net realizable value.

Other investments

Other investments include debt and equity investments in private companies. Other investments are carried at fair value. Income from debt investments ("loans") is recognized as earned except if the investment is impaired. A loan is considered to be impaired if, as a result of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired are the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. Income from equity investments is recognized when received. The change in fair value of other investments during the year is included in the Statement of Operations and Deficit.

Fair values for other debt investments are determined by calculating the present value of the remaining payments under the loans. The discount rate used is based on the expected return at the date of the financial statements for a loan to an investee with similar risk characteristics. The discount rate is comprised of a base risk-free rate based on a Government of Canada bond with equivalent duration, a credit risk premium based on publicly-traded debt with a BBB credit rating, and an additional credit risk and liquidity premium based on the circumstances of the specific investee.

Fair values for other equity investments are determined by management on the basis of the expected realizable value of the investments as at the date of the financial statements if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is appropriate at the date of the financial statements to investments in similar companies. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Generally accepted accounting principles limit the situations where investee companies over which an entity has significant influence are not consolidated. The Fund intends to dispose of its investments in due course; therefore, other investments are not consolidated.

Prior to January 1, 2004, other debt investments were carried at cost net of provisions for investment losses, and other equity investments were carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. A provision for investment losses was established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improved, a provision was reduced or reversed.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

Other equity investments that were evaluated as possibly being subject to a loss in value were assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee. When a decline in the value of an equity investment was no longer considered to be temporary, the investment was written down through a provision and was carried at the written down value until disposal of the equity investment.

Deferred costs

Deferred costs include commissions, consulting, legal, administrative, accounting, general and printing costs associated with the Fund's offering of Notes. Deferred costs are amortized over five years from the date of Note issuance.

Commissions payable

According to the terms of marketing agreements entered into by the Fund, a commission is payable to the independent marketing agents selling the Notes upon receipt by the Fund of the subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa. Commissions paid or payable on subscriptions received have been deferred and amortized.

Obligations to investors

Obligations to investors represent the Notes issued to investors of the Fund. The Notes help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Notes is accrued at an annual rate between a minimum of 1.50% and a maximum of 3.50% from the date of Note issuance until maturity. The rate is determined at the time of subscription deposit and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid annually on December 31 and at maturity; thereafter, interest is accrued on any remaining balance outstanding.

3. Change in accounting policy

Effective January 1, 2004, the Fund prospectively adopted "Accounting Guideline 18 – Investment Companies" (AcG-18) of the Canadian Institute of Chartered Accountants. This guideline requires that for qualifying entities, investments held are to be measured and reported at their fair value as described in note 2. Previously, investments were carried at cost subject to certain adjustments as described in note 2. The change was implemented on a prospective basis, and the change in fair value recorded on the Statement of Operations and Deficit for the year ended December 31, 2004 represents the difference between the fair value of investments held at December 31, 2004 and either the carrying value, after provisions of the investment at December 31, 2003 or, in the case of investments acquired in 2004, the cost of the investment.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

The recognition of fair value of investments, net of losses realized on disposal of investments, in 2004 includes $655,521 representing the excess as at January 1, 2004 of the fair value of investments over the carrying value on the previous basis of accounting.

4. Provisions of the IIP

70% investment requirement

The terms of the IIP require that at least 70% of each subscription amount be invested in eligible businesses no later than nine months from receipt of the full subscription amount. As at December 31, 2004, all full subscription amounts have been invested in eligible businesses in accordance with the terms of the IIP.

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount has been invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided the Fund maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for five years following the issuance date. The IIP contains provisions which require that the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

If the subscription amount has not been at least 70% invested in eligible businesses within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the subscription amount has been initially invested in eligible businesses, the investor receives an additional payment as compensation for the extension of the maturity date of their note.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

5. Publicly-traded and short-term investments

Publicly-traded and short-term investments consist of Government of Canada Bonds ("Bonds"), Treasury Bills ("T-Bills") and Term Deposits.

Security	Rate %	Maturity Date	Par $	**2004 Carrying Value $**	2003 Carrying Value $
Bond	6.00	1/9/05	3,110,000	**3,142,452**	3,185,722
Term Deposit	2.85	8/12/05	3,813,703	**3,813,703**	-
Term Deposit	2.88	16/12/05	3,830,326	**3,830,326**	-
Bond	3.50	1/6/04	2,500,000	-	2,492,788
T-Bill	2.77	2/12/04	1,020,000	-	993,021
Term Deposit	3.01	8/12/04	3,701,968	-	3,701,968
				10,786,481	10,373,499
Adjustment to fair value				**35,657**	
Carrying value				**10,822,138**	10,373,499
Fair value				**10,822,138**	10,493,556

6. Other investments

	2004	2003
Debt instruments	**$11,248,216**	$ 15,483,406
Adjustment to fair value	**(882,377)**	
Provision for investment losses		(1,818,870)
Carrying value	**$10,365,839**	$ 13,664,536
Fair value	**$10,365,839**	$ 14,200,000

Included in investments is $1,605,066 (2003 - $2,408,870) of impaired investments, against which the accumulated provision for investment losses in 2003 was $1,818,870 and upon which income is not accrued. During the year $756,164 (2003 - $952,603) of investments and costs have been written off.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

During the year, investments decreased as follows:

	2004	2003
Balance, beginning of year	**$13,664,536**	$ 14,683,619
New investments	**125,367**	4,433,649
Book value of divestments	**(3,604,393)**	(3,475,009)
Investments and costs written off	**(756,164)**	(952,603)
Net change in fair value	**936,493**	
Net change in provision for investment losses		(1,025,120)
Balance, end of year	**$10,365,839**	$ 13,664,536

Debt instruments have interest rates ranging from 4.2% to 13% and maturity dates ranging from demand to October 2008.

7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $1,699,829 (2003 - $1,632,527).

8. Subscription deposits

Subscription deposits represent partial deposits on Notes received prior to 2004 which have not yet been refunded to investors. The Fund was closed to deposits in 2003 and investors who have made partial subscriptions have no right to complete their subscription.

9. Obligations to investors

Obligations to investors consist of 1.50% to 3.50% unsecured promissory notes. The obligation at December 31 is comprised of Notes with interest rates as follows:

	2004		2003	
	Number	$	Number	$
1.50%	**97**	**20,830,000**	97	24,250,000
1.75%	**2**	**500,000**	2	500,000
1.95%	**1**	**250,000**	1	250,000
2.00%	**2**	**500,000**	2	500,000
2.05%	**1**	**250,000**	1	250,000
2.20%	**1**	**250,000**	1	250,000
2.40%	**2**	**500,000**	2	500,000
2.45%	**2**	**500,000**	2	500,000
2.60%	**3**	**750,000**	3	750,000
	111	**24,330,000**	111	27,750,000

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The obligation is comprised of 93 (2003 – 111) Notes with a face value of $250,000 and 18 (2003 – nil) Notes with a remaining face value of $60,000.

The following is the schedule of Note maturities as at December 31, 2004:

Notes matured prior to 2005	$ 1,080,000
2005	13,750,000
2006	6,000,000
2007	1,000,000
2008	2,500,000
	$ 24,330,000

Obligations under the Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities. The Notes are irrevocable, except in the case that a visa is denied. To the knowledge of the Fund, visas have not yet been approved with respect to a maximum of five investors to whom Notes have been issued.

As a result of differences in the timing of proceeds from investments and scheduled maturities of Notes, the Fund has set payments on each Note at its maturity at $190,000. Interest due on the remaining principal amount of each Note on which the principal has been partially repaid is accrued. It is not known when, and to what extent, payments on the remaining unpaid amounts at maturity will be made.

10. Share capital

The authorized common share capital of the Fund at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of these shares are not entitled to receive dividends.

Class B common shares - an unlimited number of voting common shares. Holders of these common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2004	2003
1,000 Class A common shares	**$ 1,000**	$ 1,000

11. Risk management

The Fund's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon the Fund's ability to repay its Notes at maturity.

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. The Fund manages this risk through carefully monitoring and matching the duration of its investments with the duration of its obligations to investors.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Notes. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Notes. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Notes at maturity.

Fair value – obligations to investors

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

12. Administration

Under the terms of a management agreement, expiring in 2008, between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the

Saskatchewan Government Growth Fund V (1997) Ltd.
Notes to Financial Statements (continued)
December 31, 2004

assistance of a manager that performs fund administration and investment management together with several subadvisors. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. The costs billed to the fund by SGGF Management Corporation are as follows:

	2004	2003
Manager's fees	**$ 411,895**	$ 484,360
General administration	**33,017**	38,749
Directors' fees and expenses	**5,769**	8,737
Legal and professional	**17,210**	18,670
	467,891	550,516
Provision for investment subadvisors' performance fees	**-**	(217,687)
	$ 467,891	$ 332,829

13. Net change in non-cash balances related to operations

	2004	2003
Accounts receivable and accrued income	**$ 19,108**	$ (2,193)
Deferred costs	**60,000**	-
Accounts payable and accrued liabilities	**42,057**	(226,079)
Commissions payable	**(95,000)**	(87,500)
Accrued interest payable to investors	**5,914**	(55,136)
	$ 32,079	$ (370,908)

14. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

15. Related party transactions

Included in these financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 12. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Total fees charged to the Fund by SGGF Management Corporation amounted to $467,891 (2003 - $550,516). Total fees payable to SGGF Management Corporation at December 31, 2004, and included in the above, are $24,700 (2003 - $11,814).

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

FIVE YEAR FINANCIAL SUMMARY

Financial Position (thousands of dollars)

December 31	2004	2003	2002	2001	2000
Assets					
Cash	$ 1,740	1,806	2,069	16,825	8,831
Publicly-traded and short-term investments	10,822	10,373	10,273	3,500	3,500
Other investments	10,366	13,665	14,684	7,810	15,557
Other assets	338	824	1,235	1,560	2,077
Total assets	$ 23,266	26,668	28,261	29,695	29,965
Liabilities and Deficit					
Obligations to investors	$ 24,346	27,760	27,849	28,089	27,815
Other liabilities	134	187	501	951	891
(Deficit) equity	(1,214)	(1,279)	(89)	655	1,259
Total liabilities and deficit	$ 23,266	26,668	28,261	29,695	29,965

Operating Results (thousands of dollars)

Years ended December 31	2004	2003	2002	2001	2000
Revenues					
Investment income	$ 696	787	780	1,030	836
Lease revenue	-	-	-	885	78
Interest from cash and publicly-traded and short-term investments	385	456	440	525	985
Other income	-	-	32	52	3
	1,081	1,243	1,252	2,492	1,902
(Losses) gains realized on disposal of investments	(696)	754	-	-	-
Adjustment to fair value	972				
Provision for losses on investments		(1,978)	(794)	(749)	-
Net revenue	1,357	19	458	1,743	1,902
Expenses					
Administration	468	333	355	595	641
Financing	824	875	848	1,752	846
Total expenses	1,292	1,208	1,203	2,347	1,487
Net income (loss)	$ 65	(1,189)	(745)	(604)	415

Note: Effective January 1, 2004, the Fund changed its accounting policy on a prospective basis to measure and report investments at their fair value.

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Fund Manager
Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services

Crown Capital Partners Inc.
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Christopher J. Anderson, C.F.A., Partner
Brent Hughes, C.F.A., Partner
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